

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

The enclosed report prepared by Moore Stephens Potter, LLP, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jessamine County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Moore Stephens Potter, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Moore Stephens Potter, LLP evaluated the Jessamine County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
JESSAMINE COUNTY FISCAL COURT

June 30, 2005

Moore Stephens Potter, LLP has completed the audit of the Jessamine County Fiscal Court for the fiscal year ended June 30, 2005.

We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities and each major fund of Jessamine County, Kentucky.

Financial Condition:

The Fiscal Court had net assets of \$52,928,044 as of June 30, 2005. The Fiscal Court had unrestricted net assets of \$6,292,674 in its governmental activities as of June 30, 2005, with total net assets of \$52,792,715. In its business-type activities, total net cash and cash equivalents were \$117,850 with total net assets of \$135,329. The Fiscal Court had total debt principal as of June 30, 2005, of \$1,363,390 with \$124,730 due within the next year.

Deposits:

On June 30, 2005, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$138,051 of public funds uninsured and unsecured.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
JESSAMINE COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
NOTES TO FINANCIAL STATEMENTS.....	37
BUDGETARY COMPARISON SCHEDULES	53
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	58
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	61
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



MOORE STEPHENS POTTER LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Jessamine County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Jessamine County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Jessamine County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Jessamine County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2006 on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Moore Stephens Potter, LLP". The signature is written in a cursive, flowing style.

Moore Stephens Potter, LLP

Audit fieldwork completed -
January 3, 2006

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

William Neal Cassity	County Judge/Executive
Bobby Day Wilson	Magistrate
John Nickell	Magistrate
Tim Vaughan	Magistrate
Duane McCuddy	Magistrate
George Dean	Magistrate
Terry Meckstroth	Magistrate

Other Elected Officials:

Brian Goettl	County Attorney
Frank Hubbard	Jailer
Eva L. McDaniel	County Clerk
Joe Walker	Sheriff
Bob Thompson	Property Valuation Administrator
Bobbie Ballard	Coroner

Appointed Personnel:

Tami East	County Treasurer
Judy Miller	Occupational Tax Collector
Brenda Sewell	Payroll Officer
Rita Carter	Data Processing Clerk
Coleman Tudor	Road Supervisor
Shelby Horn	911 Administrator
Leisa Brumfield	Jail Administrative Assistant/Bookkeeper
Wendell Hatfield	EMS Director
Beverlee Giles	Personnel Officer

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JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

JESSAMINE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,321,300	\$ 117,850	\$ 6,439,150
Total Current Assets	<u>6,321,300</u>	<u>117,850</u>	<u>6,439,150</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	719,487		719,487
Land and Land Improvements	2,064,825		2,064,825
Buildings	10,013,205		10,013,205
Other Equipment	812,139		812,139
Vehicles and Equipment	650,658	17,479	668,137
Infrastructure Assets - Net of Depreciation	<u>33,574,491</u>		<u>33,574,491</u>
Total Noncurrent Assets	<u>47,834,805</u>	<u>17,479</u>	<u>47,852,284</u>
Total Assets	<u>54,156,105</u>	<u>135,329</u>	<u>54,291,434</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations	124,730		124,730
Noncurrent Liabilities:			
Financing Obligations	<u>1,238,660</u>		<u>1,238,660</u>
Total Liabilities	<u>1,363,390</u>		<u>1,363,390</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 46,471,415	\$ 17,479	\$ 46,488,894
Restricted For Debt Service	28,628		28,628
Unrestricted	<u>6,292,672</u>	<u>117,850</u>	<u>6,410,522</u>
Total Net Assets	<u>\$ 52,792,715</u>	<u>\$ 135,329</u>	<u>\$ 52,928,044</u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities :				
General Government	\$ 5,021,353	\$ 215,608	\$ 921,276	\$
Protection to Persons and Property	3,692,183	1,532,289	248,908	
General Health and Sanitation	702,855	199,959	161,649	
Social Services	85,778		252,369	
Recreation and Culture	973,632	3,377	184,847	
Roads	2,295,297			
Other Transportation Facilities and Services	23,000			
Interest on long-term debt	64,571		112,600	
Capital Projects	348,994			
Total Governmental Activities	13,207,663	1,951,233	1,881,649	
Business-type Activities:				
Jail Canteen	195,871	191,406		
Total Business-type Activities	195,871	191,406		
Total Primary Government	\$ 13,403,534	\$ 2,142,639	\$ 1,881,649	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,884,469)	\$	\$ (3,884,469)
(1,910,986)		(1,910,986)
(341,247)		(341,247)
166,591		166,591
(785,408)		(785,408)
(2,295,297)		(2,295,297)
(23,000)		(23,000)
48,029		48,029
(348,994)		(348,994)
(9,374,781)		(9,374,781)
	(4,465)	(4,465)
	(4,465)	(4,465)
(9,374,781)	(4,465)	(9,379,246)
1,292,991		1,292,991
133,146		133,146
286,115		286,115
5,300,782		5,300,782
832,281		832,281
74,728	2,010	76,738
724,884		724,884
8,644,927	2,010	8,646,937
(729,854)	(2,455)	(732,309)
53,522,569	137,784	53,660,353
\$ 52,792,715	\$ 135,329	\$ 52,928,044

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	LGEA Fund	Emergency Services Fund
ASSETS					
Cash and Cash Equivalents	\$ 5,962,818	\$ 42,620	\$ 71,585	\$ 133,262	\$ 82,389
Total Assets	<u>\$ 5,962,818</u>	<u>\$ 42,620</u>	<u>\$ 71,585</u>	<u>\$ 133,262</u>	<u>\$ 82,389</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 9,181	\$ 4,042	\$ 578	\$	\$ 6,500
Unreserved:					
General Fund	5,953,637				
Special Revenue Fund		38,578	71,007	133,262	75,889
Debt Service Fund					
Total Fund Balances	<u>\$ 5,962,818</u>	<u>\$ 42,620</u>	<u>\$ 71,585</u>	<u>\$ 133,262</u>	<u>\$ 82,389</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

KACO Annex Fund	Total Governmental Funds
<u>\$ 28,626</u>	<u>\$ 6,321,300</u>
<u><u>\$ 28,626</u></u>	<u><u>\$ 6,321,300</u></u>
\$	\$ 20,301
	5,953,637
	318,736
<u>28,626</u>	<u>28,626</u>
<u><u>\$ 28,626</u></u>	<u><u>\$ 6,321,300</u></u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 6,321,300
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	61,944,339
Accumulated Depreciation	(14,109,534)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations - Current Portion	(124,730)
Financing Obligations - Long Term Portion	<u>(1,238,660)</u>
Net Assets Of Governmental Activities	<u><u>\$ 52,792,715</u></u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	LGEA Fund
REVENUES				
Taxes	\$ 7,012,159	\$	\$	\$
Excess Fees	832,281			
Licenses and Permits	193,063			
Intergovernmental	595,065	667,869	646,782	161,649
Charges for Services	168,168		96,595	
Miscellaneous	691,103	663	18,943	
Interest	71,781	581	213	1,059
Total Revenues	<u>9,563,620</u>	<u>669,113</u>	<u>762,533</u>	<u>162,708</u>
EXPENDITURES				
General Government	2,932,770			70,401
Protection to Persons and Property	267,595		1,401,367	
General Health and Sanitation	719,775			
Social Services	85,778			
Recreation and Culture	1,140,429			6,500
Roads		927,399		122,388
Other Transportation Facilities and Services	23,000			
Debt Service				
Capital Projects	765,717			
Administration	1,685,458	39,159	136,597	
Total Expenditures	<u>7,620,522</u>	<u>966,558</u>	<u>1,537,964</u>	<u>199,289</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,943,098</u>	<u>(297,445)</u>	<u>(775,431)</u>	<u>(36,581)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		220,000	799,345	
Transfers To Other Funds	(2,175,077)			
Total Other Financing Sources (Uses)	<u>(2,175,077)</u>	<u>220,000</u>	<u>799,345</u>	
Net Change in Fund Balances	(231,979)	(77,445)	23,914	(36,581)
Fund Balances - Beginning	6,194,797	120,065	47,671	169,843
Fund Balances - Ending	<u>\$ 5,962,818</u>	<u>\$ 42,620</u>	<u>\$ 71,585</u>	<u>\$ 133,262</u>

The accompanying notes are an integral part of the financial statements.

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Emergency Services Fund	KACO Annex Fund	Total Governmental Funds
\$ 237,696	\$	\$ 7,249,855
		832,281
		193,063
91,875	112,600	2,275,840
867,472		1,132,235
9,101		719,810
262	832	74,728
<u>1,206,406</u>	<u>113,432</u>	<u>12,477,812</u>
		3,003,171
1,931,123		3,600,085
		719,775
		85,778
		1,146,929
		1,049,787
		23,000
53,344	153,055	206,399
		765,717
299,827		2,161,041
<u>2,284,294</u>	<u>153,055</u>	<u>12,761,682</u>
<u>(1,077,888)</u>	<u>(39,623)</u>	<u>(283,870)</u>
1,119,990	35,742	2,175,077
		(2,175,077)
<u>1,119,990</u>	<u>35,742</u>	<u>0</u>
42,102	(3,881)	(283,870)
40,287	32,507	6,605,170
<u>\$ 82,389</u>	<u>\$ 28,626</u>	<u>\$ 6,321,300</u>

The accompanying notes are an integral part of the financial statements.

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**JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

JESSAMINE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (283,870)
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,372,530
Depreciation Expense	(1,877,387)
Asset Disposals, Net of Accumulated Depreciation	(82,955)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation

Bond Issuance

Principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Payments

Bond Payments

141,828

Change in Net Assets of Governmental Activities

\$ (729,854)

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JESSAMINE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

JESSAMINE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 117,850
Total Current Assets	<u>117,850</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	24,542
Less Accumulated Depreciation	<u>(7,063)</u>
Total Noncurrent Assets	17,479
Total Assets	<u>\$ 135,329</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	17,479
Unrestricted	117,850
Total Net Assets	<u>\$ 135,329</u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

JESSAMINE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 191,406
Total Operating Revenues	<u>191,406</u>
Operating Expenses	
Cost of Sales	64,936
Educational and Recreational	7,859
Depreciation	2,355
Miscellaneous	101,715
Total Operating Expenses	<u>176,865</u>
Operating Income (Loss)	<u>14,541</u>
Nonoperating Revenues (Expenses)	
Interest Income	2,010
Inmate Refunds	<u>(19,006)</u>
Total Nonoperating Revenues (Expenses)	<u>(16,996)</u>
Change In Net Assets	(2,455)
Total Net Assets - Beginning	<u>137,784</u>
Total Net Assets - Ending	<u><u>\$ 135,329</u></u>

The accompanying notes are an integral part of the financial statements.

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JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

JESSAMINE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 191,406
Payments For Goods & Services	(72,795)
Other Operating Expenses	<u>(101,715)</u>
Net Cash Provided By Operating Activities	16,896
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	(19,006)
Cash Flows From Investing Activities	
Interest Earned	<u>2,010</u>
Net Decrease in Cash and Cash Equivalents	(100)
Cash and Cash Equivalents - July 1, 2004	<u>117,950</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 117,850</u></u>
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities	
Operating Income	\$ 14,541
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,355</u>
Net Cash Provided By Operating Activities	<u><u>\$ 16,896</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	37
NOTE 2.	DEPOSITS.....	43
NOTE 3.	CAPITAL ASSETS	43
NOTE 4.	SHORT-TERM DEBT	45
NOTE 5.	LONG-TERM DEBT.....	45
NOTE 6.	JOINT VENTURES.....	47
NOTE 7.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	48
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	48
NOTE 9.	DEFERRED COMPENSATION	48
NOTE 10.	INSURANCE	49
NOTE 11.	PRIOR YEAR NET ASSET ENDING BALANCES RESTATED.....	49
NOTE 12.	CONTINGENCIES.....	49
NOTE 13.	SUBSEQUENT EVENTS	49

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Jessamine County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. The reporting entity includes no organizations that are legally separate from the primary government.

C. Jessamine County Elected Officials Not Part Of Jessamine County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Jessamine County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting as defined in item A above.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available financial resources during a given period. These funds use fund balance (ending cash account balances) as the measure of available financial resources at the end of the period.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in fund net assets, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with its activities are reported. Proprietary fund equity is classified as net assets.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor’s Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor’s Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor’s Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

LGEA Fund - The purpose of this fund is to account for funds received from the state for coal severance taxes. The funds must primarily be used for maintaining the County’s road system used by coal trucks.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the County’s ambulance runs and funds received from the state for emergency services.

KACO Annex Fund - The purpose of this fund is to account for receipts from the Administrative Office of the Courts used to offset the County’s required payments on its debt related to the Courthouse Annex.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Emergency Services Fund, are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The KACO Annex Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County treasurer the receipts and disbursements of the Jail Canteen Fund.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent the Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the KACO Annex Fund because activities reported within this fund are budgeted in other County funds. The Governor's Office for Local Development does not require this fund to be budgeted.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Jessamine County Fiscal Court: Jessamine Water District No. 1 and Jessamine / South Elkhorn Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Jessamine County Fiscal Court: Nicholasville / Jessamine County Parks and Recreation and the Jessamine County Economic Development Authority.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of June 30, 2005, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$138,051 of public funds uninsured and uncollateralized.

Note 3. Capital Assets

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 139,046
Protection to Persons and Property	170,744
General Health and Sanitation	4,386
Recreation and Culture	68,410
Roads, Including Depreciation of General Infrastructure Assets	<u>1,494,801</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,877,387</u></u>

Business-Type Activities

Jail Canteen	<u>\$ 2,355</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 2,355</u></u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,846,877	\$ 217,948	\$	\$ 2,064,825
Construction In Progress	302,764	416,723		719,487
Total Capital Assets Not Being Depreciated	2,149,641	634,671		2,784,312
Capital Assets, Being Depreciated:				
Buildings	11,004,828	283,799	(95,274)	11,193,353
Other Equipment	1,651,739	254,299	(13,500)	1,892,538
Vehicles and Equipment	2,249,093	122,320	(84,625)	2,286,788
Infrastructure	43,709,907	77,441		43,787,348
Total Capital Assets Being Depreciated	58,615,567	737,859	(193,399)	59,160,027
Less Accumulated Depreciation For:				
Buildings	(1,068,767)	(187,600)	76,219	(1,180,148)
Other Equipment	(951,920)	(138,079)	9,600	(1,080,399)
Vehicles and Equipment	(1,502,213)	(158,542)	24,625	(1,636,130)
Infrastructure	(8,819,691)	(1,393,166)		(10,212,857)
Total Accumulated Depreciation	(12,342,591)	(1,877,387)	110,444	(14,109,534)
Total Capital Assets, Being Depreciated, Net	46,272,976	(1,139,528)	(82,955)	45,050,493
Governmental Activities Capital Assets, Net	<u>\$ 48,422,617</u>	<u>\$ (504,857)</u>	<u>\$ (82,955)</u>	<u>\$ 47,834,805</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 24,542	\$	\$	\$ 24,542
Less Accumulated Depreciation For:				
Vehicles and Equipment	(4,708)	(2,355)		(7,063)
Business-Type Activities Capital Assets, Net	<u>\$ 19,834</u>	<u>\$ (2,355)</u>	<u>\$ 0</u>	<u>\$ 17,479</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Short-term Debt

In July, 2004, Jessamine County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program (KARP) by issuing a note in the amount of \$9,189,000, with principal being due in January, 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, it was able to reinvest the funds and receive net interest earnings from KARP of \$28,250.

Changes In Short-term Liabilities

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advanced Revenue Program	\$ 0	\$ 9,189,000	\$9,189,000	\$ 0

Note 5. Long-term Debt

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91% for construction of the Courthouse Annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which AOC sublet the Courthouse Annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Lease payments from AOC are deposited into an interest bearing Sinking Fund account. Interest earned on this account reduces the net amount due from the County.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

A. Courthouse Annex (Continued)

The remaining principal balance on the agreement at June 30, 2005 was \$1,214,000. Annual debt service requirements to maturity for the lease and the AOC lease payments expected to offset the obligation are as follows:

Fiscal Year Ended June 30	Governmental Activities				Net Amount Due From County
	Principal	Interest And Fees	Total Payment	Less AOC Payments	
2006	\$ 76,000	\$ 70,185	\$ 146,185	\$ 112,600	\$ 33,585
2007	80,000	65,575	145,575	112,600	32,975
2008	84,000	60,727	144,727	112,600	32,127
2009	88,000	55,641	143,641	112,600	31,041
2010	92,000	50,351	142,351	112,600	29,751
2011-2015	538,000	161,855	699,855	563,000	136,855
2016-2017	256,000	16,652	272,652	225,200	47,452
Totals	<u>\$ 1,214,000</u>	<u>\$ 480,986</u>	<u>\$ 1,694,986</u>	<u>\$ 1,351,200</u>	<u>\$ 343,786</u>

B. E-911 Equipment

On March 12, 2003, Jessamine County Fiscal Court entered into a five-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$247,377 at an assumed interest rate of 2.4% for purchase of E-911 Equipment. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The remaining principal balance on the agreement at June 30, 2005 was \$149,390. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 48,730	\$ 4,111
2007	49,790	2,545
2008	50,870	945
Totals	<u>\$ 149,390</u>	<u>\$ 7,601</u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations:					
Kentucky Association					
Of Counties Leasing					
Trust Program	\$ 1,505,218		\$ 141,828	\$ 1,363,390	\$ 124,730
Governmental Activities					
Long-term Liabilities	\$ 1,505,218	\$ 0	\$ 141,828	\$ 1,363,390	\$ 124,730

Note 6. Joint Ventures

Jessamine County Joint Economic Development Authority

The County along with the City of Nicholasville is a member of the Jessamine County Joint Economic Development Authority, Inc. (the Authority), which is a nonprofit industrial authority created to acquire, retain, develop, and promote land for industrial and commercial purposes. The participants provide annual funding for its operations. During the current year, the County contributed \$55,000 for its operations and debt. The County appoints three members to the Authority's governing board. The ordinance establishing the Authority provides that the members will be responsible for appropriating funds sufficient to finance projects until sales by the Authority are sufficient to cover the cost of the projects. The following financial information of the Authority was obtained from audited financial statements as of June 30, 2005. The Authority's net assets totaled approximately \$700,000 at June 30, 2005. The Authority's outstanding balance, as of June 30, 2005, on its debt obligations is approximately \$1,293,000. Complete financial statements for the Jessamine County Joint Economic Development Authority, Inc. can be obtained from its administrative offices at 212 North Main Street, Nicholasville, Kentucky 40356.

Nicholasville/Jessamine County Parks and Recreation Board

The County, along with the Cities of Nicholasville and Wilmore, has created the Nicholasville/Jessamine County Parks and Recreation Board (PRB). The participants provide annual funding for its operations. The County appropriated \$245,000 for operating expenses of the PRB for the year ended June 30, 2005. The PRB's board is composed of five members; two Jessamine County Fiscal Court Magistrates, two Nicholasville City Commissioners, and one City of Wilmore Council Member.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Estimated Infrastructure Historical Cost

Historical cost on infrastructure placed in service prior to July 1, 2003 is an estimate. The primary government estimated the year this infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

Note 8. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for non-hazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

Jessamine County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2005, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Prior Year Net Asset Ending Balances Restated

During the year ended June 30, 2005, management noted \$302,764 of construction in progress that had not been previously included in capital assets. As a result, prior year net asset ending balances have been restated as follows:

	Governmental Activities
June 30, 2004, Net Assets	\$ 53,219,805
Construction In Progress not included in prior year capital assets	<u>302,764</u>
Restated Net Asset Balance as of June 30, 2004	<u><u>\$ 53,522,569</u></u>

Note 12. Contingencies

As a result of the modified cash basis of accounting, the financial statements do not include an accrual or provision for loss contingencies. The County is a party to various legal proceedings that normally occur in the course of governmental operations. One of the proceedings has been filed as a civil rights violation seeking both punitive damages and attorney's fees which are not covered by the County's insurance policy. While the outcome of these proceedings cannot be predicted, due to insurance coverage maintained by the County, the County believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the County.

Note 13. Subsequent Events

On July 1, 2005 a \$5,230,000 advanced revenue note was issued at 3.032%, through the Kentucky Association of Counties Kentucky Advanced Revenue Program with a maturity date of January 31, 2006.

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JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,174,300	\$ 6,174,300	\$ 7,012,159	\$ 837,859
Excess Fees	386,092	386,092	832,281	446,189
Licenses and Permits	115,000	115,000	193,063	78,063
Intergovernmental Revenue	6,180,921	6,180,921	595,065	(5,585,856)
Charges for Services	130,075	130,075	168,168	38,093
Miscellaneous	595,394	595,394	691,103	95,709
Interest	53,000	53,000	71,781	18,781
Total Revenues	<u>13,634,782</u>	<u>13,634,782</u>	<u>9,563,620</u>	<u>(4,071,162)</u>
EXPENDITURES				
General Government	4,128,888	3,982,270	2,932,770	1,049,500
Protection to Persons and Property	184,600	292,997	267,595	25,402
General Health and Sanitation	636,669	732,679	719,775	12,904
Social Services	95,193	99,573	85,778	13,795
Recreation and Culture	1,703,441	1,940,383	1,140,429	799,954
Other Transportation Facilities and Services	26,000	26,000	23,000	3,000
Debt Service	45,747	45,747		45,747
Capital Projects	6,053,793	6,053,793	765,717	5,288,076
Administration	3,385,451	2,936,340	1,685,458	1,250,882
Total Expenditures	<u>16,259,782</u>	<u>16,109,782</u>	<u>7,620,522</u>	<u>8,489,260</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,625,000)</u>	<u>(2,475,000)</u>	<u>1,943,098</u>	<u>4,418,098</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>(2,175,077)</u>	<u>624,923</u>
Total Other Financing Sources (Uses)	<u>(2,800,000)</u>	<u>(2,800,000)</u>	<u>(2,175,077)</u>	<u>624,923</u>
Net Changes in Fund Balance	<u>(5,425,000)</u>	<u>(5,275,000)</u>	<u>(231,979)</u>	<u>5,043,021</u>
Fund Balance - Beginning	<u>5,425,000</u>	<u>5,425,000</u>	<u>6,194,797</u>	<u>769,797</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 5,962,818</u>	<u>\$ 5,812,818</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 668,082	\$ 668,082	\$ 667,869	\$ (213)
Miscellaneous			663	663
Interest	1,000	1,000	581	(419)
Total Revenues	669,082	669,082	669,113	31
EXPENDITURES				
Roads	1,303,854	1,310,353	927,399	382,954
Capital Projects	100,000	100,000		100,000
Administration	115,594	109,095	39,159	69,936
Total Expenditures	1,519,448	1,519,448	966,558	552,890
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(850,366)	(850,366)	(297,445)	552,921
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	800,000	800,000	220,000	(580,000)
Total Other Financing Sources (Uses)	800,000	800,000	220,000	(580,000)
Net Changes in Fund Balance	(50,366)	(50,366)	(77,445)	(27,079)
Fund Balance - Beginning	50,366	50,366	120,065	69,699
Fund Balance - Ending	\$ 0	\$ 0	\$ 42,620	\$ 42,620

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 602,076	\$ 602,076	\$ 646,782	\$ 44,706
Charges for Services	127,000	127,000	96,595	(30,405)
Miscellaneous	500	500	18,943	18,443
Interest	1,000	1,000	213	(787)
Total Revenues	<u>730,576</u>	<u>730,576</u>	<u>762,533</u>	<u>31,957</u>
EXPENDITURES				
Protection to Persons and Property	1,260,504	1,411,673	1,401,367	10,306
Administration	188,196	187,027	136,597	50,430
Total Expenditures	<u>1,448,700</u>	<u>1,598,700</u>	<u>1,537,964</u>	<u>60,736</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(718,124)</u>	<u>(868,124)</u>	<u>(775,431)</u>	<u>92,693</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>655,000</u>	<u>655,000</u>	<u>799,345</u>	<u>144,345</u>
Total Other Financing Sources (Uses)	<u>655,000</u>	<u>655,000</u>	<u>799,345</u>	<u>144,345</u>
Net Changes in Fund Balance	(63,124)	(213,124)	23,914	237,038
Fund Balance - Beginning	<u>63,124</u>	<u>63,124</u>	<u>47,671</u>	<u>(15,453)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>\$ 71,585</u>	<u>\$ 221,585</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	LGEA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 175,000	\$ 175,000	\$ 161,649	\$ (13,351)
Interest	2,000	2,000	1,059	(941)
Total Revenues	<u>177,000</u>	<u>177,000</u>	<u>162,708</u>	<u>(14,292)</u>
EXPENDITURES				
General Government	55,000	70,401	70,401	
Recreation and Culture	6,500	6,500	6,500	
Roads	181,500	166,099	122,388	43,711
Capital Projects	75,000	75,000		75,000
Total Expenditures	<u>318,000</u>	<u>318,000</u>	<u>199,289</u>	<u>118,711</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(141,000)</u>	<u>(141,000)</u>	<u>(36,581)</u>	<u>104,419</u>
Net Changes in Fund Balance	(141,000)	(141,000)	(36,581)	104,419
Fund Balance - Beginning	<u>141,000</u>	<u>141,000</u>	<u>169,843</u>	<u>28,843</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 133,262</u>	<u>\$ 133,262</u>

JESSAMINE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 270,000	\$ 270,000	\$ 237,696	\$ (32,304)
Intergovernmental Revenue	89,133	89,133	91,875	2,742
Charges for Services	809,000	809,000	867,472	58,472
Miscellaneous	2,500	2,500	9,101	6,601
Interest	1,500	1,500	262	(1,238)
Total Revenues	<u>1,172,133</u>	<u>1,172,133</u>	<u>1,206,406</u>	<u>34,273</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	2,113,508	2,135,942	1,931,123	204,819
Debt Service	53,345	53,345	53,344	1
Administration	407,379	384,945	299,827	85,118
Total Expenditures	<u>2,574,232</u>	<u>2,574,232</u>	<u>2,284,294</u>	<u>289,938</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,402,099)</u>	<u>(1,402,099)</u>	<u>(1,077,888)</u>	<u>324,211</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,345,000	1,345,000	1,119,990	(225,010)
Total Other Financing Sources (Uses)	<u>1,345,000</u>	<u>1,345,000</u>	<u>1,119,990</u>	<u>(225,010)</u>
Net Changes in Fund Balance	(57,099)	(57,099)	42,102	99,201
Fund Balance - Beginning	<u>57,099</u>	<u>57,099</u>	<u>40,287</u>	<u>(16,812)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,389</u>	<u>\$ 82,389</u>

JESSAMINE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable William Neal Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Jessamine County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 3, 2006. Jessamine County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jessamine County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Jessamine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Moore Stephens Potter, LLP". The signature is written in a cursive, flowing style.

Moore Stephens Potter, LLP

Audit fieldwork completed -
January 3, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**


JESSAMINE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JESSAMINE COUNTY FISCAL COURT
For The Fiscal Year Ended June 30, 2005

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


William Neal Cassity
County Judge Executive


Tami East
County Treasurer